

- SUBJECT:** Electronic government initiatives
- COMMITTEE:** State Affairs — favorable, without amendment
- VOTE:** 12 ayes — Wolens, S. Turner, Bailey, Counts, Craddick, Danburg, Hunter, D. Jones, Longoria, Marchant, McCall, McClendon
- 0 nays
- 3 absent — Brimer, Hilbert, Merritt
- SENATE VOTE:** On final passage, May 3 — voice vote
- WITNESSES:** For — *Registered but did not testify:* Janis Carter, Epic Edge, Sun Microsystems, and Ezgov
- Against — None
- On — *Registered but did not testify:* Jesse Ancira, Andy Liebler, Shannon Porterfield, and James Scogin, Comptroller of Public Accounts; Carolyn Purcell, Department of Information Resources
- BACKGROUND:** The Department of Information Resources (DIR) was created in 1989 to plan and coordinate information resources technologies used by state agencies. DIR's primary role is to set the direction for statewide strategic management of information resources through its biennial *State Strategic Plan for Information Resources* that provides state agencies and universities with guidelines for planning their use of information technology.
- In 1997, the 75th Legislature enacted SB 820 by West to create an electronic procurement marketplace for state agencies and political subdivisions under the General Services Commission (GSC). The agency currently has an active pilot program through which governmental entities may solicit, receive, and award bids.
- In 1999, the 76th Legislature enacted SB 974 by Shapleigh, which created an e-Government task force to assess the feasibility of offering government

services online. Organized by the Department of Information Resources, the task force launched the TexasOnline Internet portal in 2000. The site is paid for through a \$1 service fee on most of the site's transactions. The portal currently has links to more than 200 state agency forms and applications, offers numerous government services online, such as real estate agent license renewal with the Real Estate Commission and motor vehicle registration for several counties, and has several services under development, including driver's license renewal, concealed handgun license renewal, traffic ticket payments for the City of Houston, and workers' compensation insurance coverage inquiries.

In fiscal year 2000, the Comptroller's Audit Division collected nearly \$612 million in outstanding taxes due to the state. These funds were identified from audits of less than one percent of all tax accounts.

DIGEST:

SB 1458 would authorize a number of electronic government (e-government) initiatives to coordinate and standardize the state's e-government projects, as well as provide more government services through the Internet.

E-government office at DIR. The bill would create an Electronic Government Program Management Office within DIR to direct, coordinate, and facilitate e-government projects by local and state governmental entities. E-government projects would be defined as those that used information technology to improve the access to and delivery of a government service. Institutions of higher education would be exempted from management by the office unless they chose to participate.

Funding for the office would come from money appropriated for e-government projects overseen or coordinated by DIR. The department would establish a funding formula in coordination with the comptroller, Governor's Budget Office, state auditor, and the Legislative Budget Board, and would have to submit the formula to the governor for approval.

By January 15, 2002, the governing board of DIR would have to appoint an advisory committee of no more than 15 members consisting of representatives of state and local governments, agencies, and elected officials, as well as public members, to provide ongoing direction for the office.

The office, in coordination with the governor, state auditor, and LBB, would have to develop selection criteria for proposed or existing e-government projects. State agencies that disagreed with the selection of a project could appeal to the director of DIR, with further appeals possible to DIR's board and the governor. DIR would adopt appeal procedures by rule.

An agency could not spend money on an officially selected e-government project unless the office approved the expenditure. Procedures for approving spending would be established by the office in coordination with LBB and the comptroller, with the approval of the governor. Agencies could appeal spending decisions to the governor. If an agency spent money without approval, the office could recommend to the governor that spending for the project be terminated.

The office could recommend the termination or temporary suspension of a project to the governor, as well as the reinstatement of these projects, on the basis of criteria developed by DIR in coordination with LBB and the Governor's Budget Office. The criteria would have to include consideration of the agency's compliance with the provisions in the bill and department rules, the success of the project, the needs of affected state agencies, and any changes in technology that would affect the project.

State agencies would have to report to the office on e-government projects selected by the office, as well as all other e-government projects of the agencies. These reports would have to include an analysis of the efficiencies achieved by the projects, their costs and benefits, and the scope of the projects.

The office also would be directed to:

- ! create an e-government project to provide new businesses with a single source for information and permitting relevant to new businesses;
- ! review state agency strategic and biennial operating plans for information technology to identify e-government projects for selection by the office and recommend appropriate changes related to these projects;
- ! promote the use of TexasOnline by state agencies and use the site to the extent possible for projects it manages;

- ! encourage increased use of the West Texas Disaster Recovery and Operations Center for the consolidation of data operations and recovery.

Legislative Oversight Committee. The bill would create the Legislative Oversight Committee for e-government projects to oversee and review the implementation of these projects by DIR and state agencies. The oversight committee would consist of six members of the Legislature, including the chairs or their designees of the House committees on appropriations and state affairs and the Senate committees on finance and state affairs, as well as one member appointed each by the lieutenant governor and the speaker of the House. The members of the legislative oversight committee would have to be designated by November 15, 2001.

The oversight committee would make recommendations to the Legislature and DIR on e-government projects and changes in legislative technology policy. It could appoint advisory committees to make recommendations regarding e-government projects. The Electronic Government Program Management Office at DIR would be required to report annually to this committee.

TexasOnline Grant Program. The bill would create the TexasOnline Grant Program to provide grants to cities, counties, and school districts to enable these entities to provide electronic government services through TexasOnline. The program would be managed by DIR's Government Program Management Office.

DIR would have to establish an interagency oversight committee to oversee the grant program and approve the distribution of grants. This committee would include representatives from DIR, the comptroller, the General Services Commission, the Telecommunications Infrastructure Fund board, the office of court administration of the Texas Judicial Council, and any other persons DIR considered appropriate. The interagency oversight committee would have to be established by DIR by January 15, 2002.

The program management office, with input from the legislative oversight committee, would establish criteria and procedures for selecting grant recipients. Preference for grants would be given to applicants located in a strategic investment area, which includes counties with above state average

unemployment and below state average per capita income, and areas designated by the federal government as an urban enterprise community or an urban enhanced enterprise community. Grant money only could be used for start-up costs, design and maintenance of website and online services, or the development of technology systems to provide services through TexasOnline. Grant recipients would have to agree to maintain online services after the grant period terminated.

The provisions in the bill relating to the grant program would apply only to the extent that funds were appropriated specifically for that purpose.

Seat Management. The bill would create a Seat Management Office at DIR to conduct a study of all computer-related costs at state agencies and advise agencies on seat management issues. Seat management would be defined as a method by which an agency would transfer its personal computer equipment and service responsibilities to a private vendor. State agencies would have to consult with this office before making any decisions relating to seat management or conducting any studies on the issue.

DIR would select 10 to 12 state agencies for the study. Each selected agency would have to analyze the total costs to the agency related to computers, including direct costs such as hardware and labor expenses, and indirect costs such as computer downtime and training time. Each state agency would have to provide the office with an inventory of all personal computers used by that agency.

Based on the results of the studies, the seat management office would assess the feasibility of establishing a statewide seat management system and report its recommendations to the Legislature by November 1, 2002. If the report recommended implementing a statewide seat management plan, the report also would have to include a plan for transferring computer-related responsibilities at selected state agencies to private vendors, an estimate of the implementation costs, an estimate of the potential savings, and recommendations for contracting procedures.

Technology projects at DIR. The bill would require DIR to undertake several specific projects, including:

- ! creating an online system for listing state agency employment openings;
- ! studying the instructions used to prepare agency strategic plans for information resource management and adopting revised instructions based on that study;
- ! studying the costs and benefits of establishing a statewide electronic grants management system;
- ! developing a plan for creating a statewide electronic data clearinghouse and report to the Legislature;
- ! examining all state reporting requirements for cities and counties and making recommendations for streamlining and reducing these requirements; and
- ! considering whether it would be beneficial to use incentives in contracts to encourage the completion of projects by vendors on time and under budget.

Comptroller provisions. The bill would require the comptroller to develop an advanced database system for audits. The comptroller also would be required to equip its field auditors with wireless communication equipment, portable computers, and scanners.

The comptroller could employ or contract for employee services as necessary to enhance productivity.

The bill also would:

- ! exempt information related to computer network security from public information requirements;
- ! designate the executive director of DIR as the state's chief information officer; and
- ! make a number of revisions to the code regarding the electronic procurement system at GSC and delegated buying authority.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS
SAY:

SB 1458 would help the state realize the benefits of the Internet by providing more government services and information online and creating a single focal point for the development and coordination of these initiatives. With more and more Texans moving online, citizens increasingly are turning to the Internet to obtain information and services from the government. By 2002, the number of people using the Internet as their primary access to government services is expected to increase 150 percent, according to a report by Deloitte Research. Agencies that regularly interact with the public will experience an even greater increase; for example, transportation agencies could see a 380 percent increase in the number of people accessing their services online. SB 1458 would position the state to meet this demand by creating an e-government office at DIR to lead and coordinate the state's e-government efforts, as well as authorizing several specific e-government projects. These initiatives were recommended in the comptroller's recent e-government report.

Providing an e-government system also would result in greater efficiency and save the state money. In particular, the changes to the Comptroller's Office would result in a positive fiscal impact to the state of over \$300 million, due to efficiency gains as well as the comptroller's ability to perform more audits and therefore collect more taxes. While some of this money would be used to implement other parts of the bill, overall the fiscal note estimated that the bill would save the state over \$218 million through the end of fiscal year 2003. Since then, a reduction in the amount of the appropriations request for the TexasOnline Grant Program and other provisions of the bill would create an overall savings of about \$275 million.

E-government office at DIR. The state needs an office that can lead the state in establishing effective online services and ensure that state agencies adapt their practices to new technologies. In the past, state agencies traditionally have served their clients individually and developed technological systems independently. This lack of coordination can result in decentralized, and harder to locate, information for citizens, unnecessary duplication of effort, and high implementation costs. By contrast, e-government is about providing integrated, one-stop centers for information and services that are focused on customer needs rather than organizational boundaries. Successfully developing such a system would require a single focal point to provide strategic vision, coordination, leadership, and

monitoring. To serve in this role, the bill would create the E-Government Program Management Office within the DIR.

To be successful, the office must have the authority to make decisions regarding all aspects of a project. It would not be logical to have a focal point to ensure that these projects met quality standards and were coordinated with other agencies if the office had no authority over the actual implementation of the project. This authority, however, would be appealable, as agencies could appeal any of its decisions to the DIR board and then to the governor.

The bill would ensure adequate input and accountability by requiring the office to develop rules and criteria in coordination with the governor, the state auditor, the comptroller, the legislative oversight committee, and LBB, with final approval by the governor. The office also would have to report to the oversight committee.

The office also would pursue a number of projects to promote the efficient use of technology and help the state's citizens and government entities. For example, the office would help promote the development of new businesses by creating an Internet site to provide information and services relevant to new businesses. Starting a business and complying with all state and local government regulations can be a very time-consuming and frustrating process that may discourage some interested individuals. By putting all the information necessary to starting a business in one place, and by streamlining the licensing and permitting process by placing as many of these services as possible online, the bill would make it easier for individuals to start businesses in the state, thus promoting greater economic development.

TexasOnline Grant Program. The TexasOnline Grant Program would enable local governments to place their services online. Although several state agencies and counties already are offering services via the Internet through the TexasOnline portal, many local governments do not have the financial resources to begin this process. However, offering services online benefits both citizens and governmental entities. The grant program would provide the means for these local governments to do so. The program would target the neediest communities by giving preference to areas with above

average unemployment and below average income, and areas designated by the federal government as enterprise communities.

Seat Management. The concept of seat management has become increasingly popular as a way for governmental entities to save money and ease the burden of trying to keep up with technological changes by outsourcing the provision of computer goods and services to the private sector. By coordinating these expenditures across agencies, seat management could save money through bulk discounts, as well as ensuring that the technology used by different agencies was compatible. Quality of products and services also may improve since contractors would be required to replace equipment regularly and provide strong support services. Although there are risks to this new concept, contracts could be structured to minimize them. The bill would direct DIR to study this issue to determine whether seat management would benefit the state.

Technology projects at DIR. The bill would direct DIR to undertake a number of specific technology-related projects to support citizens and governmental entities. For example, the online system for listing state employment openings would help citizens interested in working for state government to find jobs. The bill also would require DIR to examine the instructions used to prepare agency strategic plans for information resources and state reporting requirements for local governments in order to reduce reporting and planning burdens on governmental entities. Producing these plans and reports represent a significant time and cost burden on these entities. By streamlining these requirements, the bill would help governmental entities more easily complete their responsibilities. Revising the instructions for strategic plans also would ensure that these plans were appropriate for the latest technology and would integrate the state's new emphasis on coordination.

Comptroller's provisions. The lack of the latest technology, including wireless communications equipment and modern scanners, has hampered the work of the agency by requiring the agency's employees to spend large amounts of time on tasks that could be more quickly and easily done with this equipment. For example, employees must enter data manually in taxpayer reports into the tax database when they are mailed or delivered to field offices rather than to Austin, since these offices do not have the

necessary scanning equipment. The agency employs 13 enforcement officers to perform this data entry. By buying scanning technology, six of these employees could be re-assigned to work on more productive collection activities. The bill would require the comptroller to obtain these technologies for its employees so that more employee time could be spent identifying and collecting taxes owed to the state.

By allowing the comptroller to employ or contract for necessary employee services, the bill also would enable the comptroller to obtain the employees necessary to conduct more audits, thereby identifying and collecting more revenue due to the state. The fiscal note estimates that all comptroller-related provisions would result in more than \$300 million in increased revenues to the state.

OPPONENTS
SAY:

E-government office at DIR. The bill could reduce agency autonomy by placing nearly absolute authority over decisions relating to the e-government projects of these agencies with the new Electronic Government Program Management Office. These projects might as well be transferred entirely to the office if the agencies have no authority over them. The bill also could result in increased costs to agencies that had projects managed by DIR since they not only would have to pay DIR's management fee, but also might have to retain their own management staff since DIR would be unlikely to have adequate staff to handle all of these new responsibilities. Even if these responsibilities were reduced, some agencies say that they have experienced problems in the past with DIR management, and still would expect to have to retain their own management staff.

Seat management. Seat management is a new, unproven concept and presents many risks. Services contracts could be too rigid, limiting agency flexibility. Service quality also may be poor, forcing an agency to cancel its contract. Because the contractor owns the computer equipment, an agency that had to cancel a contract would have to return the equipment and temporarily go without it, or pay to purchase the equipment and then find a vendor to service it.

OTHER
OPPONENTS
SAY:

While providing coordination and leadership on e-government projects is a worthy goal, the bill would place too many new responsibilities on DIR than it could handle at one time. Between the provisions of this bill and the GSC

sunset bill, which would place new responsibilities on DIR for the state's telecommunications system, DIR will be too overloaded to handle these programs efficiently. The bill should be streamlined in order to ensure that the agency can carry out its directives.

NOTES:

Rep. McCall intends to offer several floor amendments to the bill to reduce the number of new responsibilities placed on DIR, as well as allow more flexibility and accountability. These amendments include requiring the Electronic Government Program Management Office at DIR and TexasOnline to undergo Sunset review in 2005 to ensure that they are providing a benefit to the state, granting the lieutenant governor and House speaker more flexibility to appoint members of the Legislative Oversight Committee, and removing the seat management provisions in the bill.